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RESEARCH PAPER

Geo-Economic Integration under CPEC: Opportunities and Structural Challenges for Pakistan

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ABSTRACT

This study aims to analyze CPEC through an economic and socio-political lens. The Chin*a–Pakistan Economic Corridor (CPEC), a flagship project of China's Belt and Road Initiative, represents Pakistan's largest foreign investment to date, with projected funding exceeding $65 billion. This study employs qualitative methodology through document-based content analysis to investigate on Pakistan's energy sector, transportation infrastructure, and regional connectivity with a focus on Special Economic Zones. The findings reveal that CPEC functions as a vehicle for regional integration, trade facilitation, and soft power diplomacy, exemplified by developments in Gwadar and the Karakoram Highway. The research highlights challenges including governance issues, human capital gaps, inter-provincial coordination, and concerns regarding debt sustainability. Findings indicate that the Corridor's transformative potential depends on inclusive implementation, transparent governance, and integration of social and cultural dimensions. The study recommends that Pakistan needs to take full advantage of the opportunities for economic growth, employment generation, and enhanced regional connectivity provided by CPEC through sustainable, inclusive, and strategically coordinated policies to fully realize its benefits.

KEYW ORDS CPEC, Regional Integration, Economic Growth, Special Economic Zones

Introduction

The relationship between China and Pakistan has bloomed during the previous seven decades with the result of close political, military as well as economies ties (Aziz, 2014) (Faisal, 2018). Both countries have witnessed a steady increase in bilateral trade through having a Free Trade Agreement since 2006. CPEC's total projected investment is worth $ 65 billion as of 2022 and if fully utilized will be equivalent to all of the FDI invested in Pakistan since 1970 (Rakisits, 2015; et. al., 2018).

The CPEC has till present provided $25.4 million of much needed direct investment in energy and the infrastructure sector with CPEC providing for one- fourth of the total electricity of Pakistan (Rong, 2023). China, through CPEC is also providing Pakistan with support through technical expertise and constructional support via Chinese companies (Sharif, 2023). The CPEC initiative is the first of its kind in Pakistan's 70-year history and is critically required for the country's burgeoning population who will be requiring employment opportunities in the near future mainly due to half of Pakistan's population being in the youth bracket.

CPEC was initiated at a crucial period when the assistance given through the Kerry-Lugar Bill, an Act of the United States Congress that was passed into law through which $

1.5 billion was disbursed to Pakistan as non-military aid from 2010-2014, was reducing as well as this being the time when differences emerged between Pakistan's and the United Status's strategic views regarding Afghanistan as well as the larger region (Rafique, 2011). This was further compounded by the economic conundrum of the issues of the energy sector which was facing high circular debt and serious power shortages which needed a serious and sustainable overhaul. China showed that it was an 'all weather friend' with the culmination of the start of CPEC economic relations between the two countries of Pakistan and China were molded by geo- strategic imperatives, an apt example being the Karakoram Highway which connects Gilgit-Baltistan to Xinjiang province. The Karakoram Highway was constructed in the 1970s and passes through the Khunjerab Pass to Xinjiang's Kashgar region and rises to 4700 meters in mountainous terrain.

CPEC projects

CPEC projects consists of power, industrial and agricultural sector, infrastructure as well as power initiatives and SEZs.

Energy: Till present, more than US$ 33.8 billion has been invested with the result of a 12230 MW of electricity as well as transmission lines being reinstated. The locations of these coal-fired power stations are Hub, Sahiwal, Port Qasim, and Thar. The Karot and Suki Kinari hydroelectric projects are examples of hydroelectric developments. Wind farms that contribute to renewable energy under the CPEC include HydroChina wind farms and Quaid-e-Azam Solar Park at Bahawalpure UEP.

Infrastructure: The main CPEC infrastructure projects are the ML1 line railways megaproject, which is being expanded and rebuilt at a cost of $6.8 billion, the Multan-Sukkur section of the Peshawar-Karachi Motorway, the Karakoram Highway (KKH) phase II project, Khuzdar-Basima Road, the KKH Thakot-Raikot section, and the upgrading of the D.I. Khan-Zhob N-50 road. (CPEC Authority Ministry of Planning, Development & Special Initiatives, n.d.; Shah, et. al., 2020).

Gwadar

CPEC's lynchpin project, Gwadar, has come to represent a significant turning point in Pakistan-China ties. Gwadar's strategic location is important as it is situated in the Baluchistanprovince, close to the Arabian Sea's Strait of Hormuz opening. This Port has attracted a $1.62 billion investment program that commenced in 2015 (CPIC, 2021).

The China Overseas Ports Holding Company (COPHC) has obtained Gwadar on a lease for 40 years since 2013. The numerous projects that make up Gwadar include the New Gwadar International Airport, East Bay Expressway, Construction of Breakwaters, Gwadar Free Zone, as well as dredging and berthing areas other projects included in this is the Gwadar Smart City Master Plan, the Pak-China Technical and Vocational Training Institute, and the Pak-China Friendship Hospital.

The strategic location of Gwadar could facilitate economic activity for Pakistan if even a fraction of Chinese transit trade passes through it. Benefits would include transit fees, employment, and business opportunities. Such opportunities would grow along the China-Pakistan Economic Corridor (Khetran & Saeed, 2017b, p. 450). Gwadar's deep-water port could serve as a trans-shipment facility to countries that are close to the Arabian Sea and the Persian Gulf, given its ideal location and natural deep-water advantages, as well as its strategic positioning in proximity to Dubai (Bibi, et. al., 2025; CPIC, 2020).

Entry for trade would be facilitated through Gwadar, which aims to integrate various trade activities. Covering 968,000 square meters, the main Gwadar Free Trade Zone includes production, storage, shipping, international buying, distribution, transshipment, community display, and auxiliary services. The port's deepest berth is expected to be at 20 meters, allowing the largest vessels to dock, thereby boosting Pakistan's economic prospects (Tribune, 2016).

The quickest route of CPEC from Dubai to Gwadar to Urmiqi, which is 3,600 km long, can be used to refine and transport crude oil thanks to an oil pipeline that passes over the Khunjerab Pass and the Karakoram Highway. (Khetran, 2014). Gwadar Port has also been recognized as an initiative for collective economic activities, providing the shortest routes for Central Asian countries, as well as parts of Russia, and sea access for Afghanistan. The Gwadar Airport is estimated to cost $260 million (Tribune, 2016). The Gwadar-Urumqi-Almaty-Astana-Moscow route could eliminate the need for Pakistan to seek transit from Afghanistan to reach Central Asia and beyond. However, it should be noted that Central Asian economies are currently weak, and it will take time for them to generate substantial goods for trade via Gwadar (Saleri, 2017).

Rail-based Mass Transit Projects are a crucial part of CPEC. These include Quetta Mass Transit, the Lahore Orange Line, and the Greater Peshawar Region Mass Trans Karachi Circular Railway. The Naukundi-Mashkel-Panjgur road project, the Mirpur-Muzaffarabad-Mansehra road, the Keti Bunder Sea Port Development Project, and the Chitral CPEC connection route from Gilgit-Shandur-Chitral to Chakdara are among the new provincial projects that are being worked on and approved.

When writing about the miracle of the high economic growth which China achieved in the past few decades, it is essential to talk about the Cultural Revolution and the Great Leap Forward. The Wilson Center, an American think tank points out that even though the Great Leap Forward which was started by Mao Zedong in 1958 to increase steel production, however it failed in its objective. Rather, millions of Chinese perished as a result of this economic policy, especially due to the fact that the entire workforce which was working on farmland was diverted to factories, therefore leaving unharvested crops and as a result, famine. MacFarqhur (1999) estimates that 55 million peasants died of starvation. The Cultural Revolution of 1966 which was initiated by Chairman Mao to reassert himself as the leader of the Communist Party and purge the Party of what he saw as bourgeoisie and imperialist elements, lead to further chaos, with Phillips (1999) emphasizing that the Cultural Revolution led to which led to destruction of the economy, widespread hunger and the death of 20 million people. The 1980s saw the start of improvement of the Chinese economy with the OECD (2010) highlighting in its report that by 2000, Chinese economic growth rate had increased to 12%. Arestis et al (2021) also add to this, saying that agricultural expansion helped in providing the surplus available for increased economic growth and an expanding industrial base

Literature Review

The literature situates the China–Pakistan Economic Corridor (CPEC) within Pakistan's urgent development needs and shifting geopolitics. Scholars note CPEC's emergence at a time of waning Western aid (e.g., Kerry-Lugar reduction) and strategic divergence with the U.S., framing China as an "all-weather" partner whose investments build on historical connectivity projects such as the Karakoram Highway (Rafique, 2011; Rong, 2023). Authors emphasize that CPEC is unprecedented in Pakistan's post-Independence history in scale and scope, and is presented as a vehicle to meet infrastructure deficits, energy shortfalls, and rising youth employment demands.

Various sources such as CPIC and The Express TRIBUNE documents substantial investments across energy, transport, industrial, and port infrastructure. Energy projects—coal, hydro, wind and solar—constitute a large share of CPEC funding and have materially expanded generation capacity and transmission upgrades (Mirza et al., 2019; Houreld, 2015). Major transport investments include ML-1 rail upgrades, motorway sections, KKH upgrades, and multiple road projects. Gwadar Port and its ancillary projects (free zone, airport, expressway, smart city plans) are highlighted as strategic lynchpins with transshipment and regional connectivity potential (CPIC, 2020; Tribune, 2016).

The literature predicts notable employment and GDP effects, with estimates ranging from hundreds of thousands to millions of direct and indirect jobs and projected GDP gains by 2030 (MPDR; BOI; Rafi Group). SEZs are expected to catalyze industrialization, technology transfer, and export-led growth, though distributional and implementation challenges persist (Karim et al., 2019; Mahmood, 2018). Agriculture-related initiatives—dams, greenhouse and technology transfers, dairy and processing projects—are seen as complementary, with potential to raise yields, support agro-processing, and improve rural livelihoods (Times Agriculture, 2022). However, the literature stresses that realizing these benefits depends on local uptake of technology and market linkages.

Studies also describe a complex financing mix—commercial loans to Chinese firms via SPCs, concessional loans to Pakistan, interest-free loans, and grants (Shakeel, 2019). Critiques focus on transparency and sovereign exposure; some analyses label debt vulnerabilities as a "debt trap" risk, while counterarguments emphasize loan restructurings, rollovers, and equity investments that diversify financial impacts (The Express Tribune, 2023)

A recurring theme is governance: weak institutional capacity, corruption, and inconsistent policy frameworks which undermine project uptake and SEZ success (Jiang, 2018; Shulin, 2018). Human-capital mismatches—insufficient vocational training and technological readiness—are seen as major bottlenecks to absorbing Chinese technology and generating local value chains. The literature recommends adopting lessons from China's vocational systems, enforcing property-rights protections, and streamlining bureaucratic and customs processes to integrate SEZs into global value chains (Mahmood, 2018; Ahmad & Tiadong, 2020).

Authors flag environmental risks—pollution from coal plants, groundwater contamination from mining, displacement of farmers by infrastructure, and impacts on arable land—as significant concerns that require mitigation. There is also caution about uneven regional benefits, provincial political contestation over SEZ locations, and the potential marginalization of smallholders without bottom-up inclusion strategies.

The reviewed literature converges on several policy prescriptions: implement and operationalize the SEZ Act effectively; invest in vocational and technical education aligned with SEZ needs; strengthen legal and regulatory frameworks (property rights, trade facilitation); negotiate preferential trade arrangements for SEZ outputs; and enhance transparency and project appraisal practices. Strengthening local firm linkages, SME finance, and diaspora engagement are also recommended to amplify inclusive gains (Mahmood, 2018; Hussain & Rao, 2020).

Material and Methods

The study utilizes a qualitative and analytical research design with document-based content analyses used. Data was gathered from government publications, organizational reports, academic papers, newspapers, printed sources, documents, books, journals, periodicals, and electronic sources.

Results and Discussion

Special Economic Zones (SEZs)

SEZs are parcels of land set aside to encourage national industrial development. In comparison to the nation's normal tax laws, these zones provide more lax economic and tax regulations. Special Economic Zone Act was promulgated in 2012. The law governing SEZs mandates their establishment by either provincial or federal governments in collaboration with the private sector or via a public-private partnership. Bahawal Industrial Estate, Mianwali, Rahim Yar Industrial Estate, Phase-2 of Multan Industrial Estate, and Rawalpindi Industrial Estate are the five industrial units that the Pakistani government has encouraged. It is anticipated that 150,000 people will be awarded employment by these SEZs. (Board of Investment, BOI). According to Dr Liaqat Ali Shah, Head of Policy CPEC at the Centre of Excellence at Pakistan Institute of Development Economics, who was interviewed during the course of this thesis "100,000 jobs have been created both direct and indirect? When the project will come into existence there will be 8.8 million jobs".

Quaid-e-Azam Apparel Park (QAAP) at M2 near Sheikhupura Interchange, M3 near Sahiwal Interchange, and Industrial City located on the Trade Corridor with 225 acres classified as Value Addition City near Faisalabad are the three other SEZs in Punjab that have been approved (Karim et al., 2019).

Under CPEC, it is anticipated that 27 SEZs would be established nationwide. According to Karim et al. (2019), the distribution comprises of one SEZ each in Gilgit-Baltistan and Islamabad, eight in Khyber Pakhtunkhwa, seven in Punjab and Baluchistan, and three in Sindh. The Special Economic Zones will add at least 475,000 direct and 1 million indirect jobs throughout (Rafi Group, n.d.). Other projects are made up of the Digital Terrestrial Media Broadcast (DTMB) and cross border optic fiber cable projects.

Way to Success

According to a World Bank, Pakistan is expected to have the Mainsail highest welfare gain among all the BRI countries of 10.5% by 2030. This is attributed to the reduced cost of trade due to the connectivity of rail and road through Gwadar to Kashgar (Maliszewska & van der Mensbrugghe, 2019)

Energy Crisis

Pakistan's energy crisis is complex and involves more than just problems with electricity supply and demand. (The Diplomat, 2019). These include antiquated technology, bad management, bad governance, and insufficient resources, all of which lead to a circular debt that seriously affects the supply chain. The power crisis has been made worse by inefficient payables collection and a reliance on expensive, non-sustainable fuels for electricity generation (Hali et al., 2017). 64% of Pakistan's energy needs are satisfied by thermal power, yet this is unsustainable due to the country's dependency on furnace oil. China wants Pakistan to adopt more renewable energy sources and become less dependent on furnace oil (The Diplomat, 2019).

These steps are intended to alleviate Pakistan's energy problem and make efficient use of energy resources. Pakistan's energy industry is allocated about 60% of CPEC funding (Mirza et al., 2019, p. 35).

. The development of power projects to produce 17,045 MW of electricity in Pakistan, of which 10,400 MW would be generated through new capabilities, will get the majority of the US$33.79 billion CPEC investment (Mirza et al., 2019, p. 35). In order to reduce Pakistan's energy problem, an estimated US$34 billion is being invested in the country's electrical power sector, with the aim of increasing overall production capacity to 16,400 Megawatts (Houreld, 2015).

Employment

The China Pakistan Economic Corridor is projected to create 700,000 jobs till 2030 in both the agriculture and industrial sectors, potentially contributing 2.5 to 3 percent to Pakistan's GDP.

It is essential for the success of the China Pakistan Economic Corridor that the local community at the grassroot level is taken on board. To this end over 40 projects have been planned by Pakistan along the Corridor, as it will traverse distinct agricultural economic zones. This will enable agriculturalists to improve rural businesses and adhere to international standards in crop production (Bosan, 2017). As Pakistan serves as a transit area between Central Asia, Africa, and Europe, trade increases could benefit small-scale farmers (R. Ahmad & Mi, 2017, p. 4). Various studies have observed that employment opportunities, business prospects, and ease of access to major cities will improve through the China-. Pakistan Economic Corridor (Kanwal et al., 2018). By 2030, the GDP growth rate is expected to reach 7.5%, and an extra 2 million jobs are anticipated. (MPDR: Government of Pakistan, 2014). According to Hassan Daud Butt, Advisory Board Member at CPEC Cell at Institute of Strategic Studies, who was interviewed during the course of this research, CPEC has given employment in the following sectors "Energy sector, infrastructure sector, optical fiber, certain industry has been given employment in. Mostly in energy and intrastate, followed by industrial sector".

In Pakistan, approximately 1/4th of GDP is composed of agriculture and provides employment to 45 percent of the workforce and has a share of a 2/5th of Pakistan's exports CPEC is expected to positively influence it both directly and indirectly. The corridor also has the capacity to help small-scale farmers by creating connections with the cutting-edge logistical network built as part of the CPEC project, which could lead to better employment prospects in agro-processing companies' various agriculture value chains. Productivity of livestock and crops is also expected to improve through CPEC due to the comparative advantage that favors Pakistan (Times Agriculture, 2022).

Agriculture technology development center at Gwadar is planned to be established under CPEC which will aid in transferring cultivated crop technologies for example hydroponics, greenhouse cultivation among other technique which can in turn facilitate entrepreneurs in establishing sustainable greenhouse farms that produce high yield vegetables for meeting local demand and in turn increasing export through CPEC (Agriculture Times, 2022).

In Sindh, where there is a severe water scarcity, CPEC would also make it easier to build irrigation channels that will benefit the 100,000 productive acres of land there and aid Pakistani farmers. Food security and the production of hydrogen power will also be

addressed by this initiative, since it will make it easier to build massive dams like the Mohmand and Diamer-Bhasha dams, which will provide inexpensive electricity.

The agricultural projects under CPEC are composed of dairy farming, seed farming, fruit processing and plants that will improve the output of agricultural goods as well as competitiveness among Pakistani products at an international level.

Women empowerment is also being promoted through the China Pakistan Economic Corridor through providing latest technologies which will help towards achieving gender equity and center meaningful employment.

Agricultural Projects under the China Pakistan Economic Corridor

- The Diamer Bhasha Dam, which is part of the CPEC project, will be located on the Indus River in the Gilgit-Baltistan Region near the Chinese border.
- The Gomal Zam Dam project, located in the Dera Ismail Khan District of Khyber Pakhtunkhwa province, is a multipurpose embankment dam filled with rock and earth.
- The Soil Improvement Project seeks to increase crop output and soil fertility by treating soils with organic seeds, minimizing plowing, and practicing no-till farming, all of which will reduce the need for chemical fertilizers and promote sustainability.
- Cotton: To further assist Pakistani cotton producers, China has committed to provide technology transfer that encompasses both production and post-harvest technologies under the China Pakistan Economic Corridor.
- The KPK sugar cane project
- Cotton ginning factories in Dera Ismail Khan, Gwadar, and Baluchistan, KPK
- The Thar, Sindh, Coal Power Project
- The KPK greenhouse project (Times Agriculture, 2022)

In light of this, it is imperative that CPEC include agriculture. Experts an22ticipate that the agricultural sector would rise by 5%, which will benefit Pakistani farmers by increasing crop and livestock yield due to Chinese demand.

Financing Instruments

Financing for the China-Pakistan Economic Corridor comes from four sources. The first category is "Investment," whereby commercial banks grant loans to Chinese enterprises carrying out infrastructure projects under the China-Pakistan Economic Corridor at interest rates ranging from 4 to 5 percent.

Chinese businesses are taking out commercial loans from Chinese banks (primarily China Development Bank and China Exim Bank) at interest rates between 4% and 5%, with no direct debt owed to Pakistan. For these loans, Special Purpose Companies, or SPCs, have been established. Chinese firms hold SPCs. For example, Huaneng Shandong Ruyi (Pakistan) Ltd., an SPC of Huaneng Shandong Power and Shandong Ruyi Group, is receiving $1.44 billion from the International and Commercial Bank of China (ICBC) for the development and operation of the Sahiwal coal power plant.

Concessional loans, which have a maturity period of 25–30 years and an interest rate of 2-2.5%, are the second type of instrument offered to the Pakistani government. "Interest-free loans" make up the third instrument; they account for a minor portion of the total financing and have no interest to pay. The final category is grants, which are meant to increase the capacity of the state (Shakeel, 2019).

'Debt Trap'?

There are some critics especially from the West that there is lack of transparency and the threat of Pakistan facing a 'debt trap' when it comes to China. Latest estimates indicate that debt crossed $100 billion in the beginning of 2023 with more than 30% being owed to China. However, China, in July 2023, rolled over a $2.4 billion loan to Islamabad for the next two years, which increased Pakistan's foreign reserves on the back of an International Monetary Fund deal which helped it avert default.

The analysis is skewed that somehow there is a plot to indebt Pakistan through CPEC. However, investment has come from CPEC in a variety of fields. As evidence that CPEC has created jobs both directly and indirectly, Alibaba Group has purchased a 45% share in Telenor Microfinance Bank, and a Chinese consortium has purchased 40% of the shares in the Pakistan Stock Exchange.

The main tenet of China's foreign policy is non-interference in the internal affairs of other sovereign states, and it is one of its foreign policy's guiding principles. Beijing has refrained from interfering in Pakistani internal politics, or influencing Pakistan's economic policies even though it has become Pakistan's largest lender. (The Express Tribune, 2023).

Risks

Regarding agriculture, highway construction may displace farmers affecting their homes as well as farms. There also needs to be a self-assessment by famers themselves to adopt new technologies and thereby boost their productivity. In essence there needs to be a bottom-up approach regarding farmers. Mineral deposits which are located under the China Pakistan Economic Corridor can negatively impact farming as well as polluting underground water.

Conclusion

Politics has a significant role in shaping public policy in Pakistan, where local and provincial political parties, as well as other regional players, disagree on the optimal location for Special Economic Zones. As a result, each province is fighting for its own SEZ. Another issue is that the human capital of Pakistan is not conforming with the SEZs requirement resulting in the lack the professional training and technological knowledge to operate Chinese machinery and technology. This results in seriously hindering the level of benefit that can be achieved from the SEZs.

The requirement for affiliated and supplier enterprises to be of a sufficient size and quantity, as well as their placement in SEZs, is another concern pertaining to SEZs. Other issues are inter-zonal projects; local connectivity and the utility provision would be structural matter that would have to be overcome in order to ensure the success of SEZs under CPEC. (Jiang, 2018).

To surmount these challenges, there must be consistency in economic policy, a significant reduction in corruption, improved human resources and vocational training, as well as a conducive business environment and transparent and independent judiciary for effective and swift resolution of arising issues. (Shulin, 2018).

CPEC is not merely a collection of infrastructural initiatives, but a transformative endeavor that promises to reshape the economic landscape of Pakistan and fortify its ties with China. As elucidated in this paper, the magnitude of CPEC's investment is unprecedented, dwarfing all foreign direct investments in Pakistan since the 1970s. This in

itself speaks volumes about the Corridor's potential to catapult Pakistan into a new era of economic prosperity

Recommendations

Below are a few solutions and recommendations on how best to remedy the internal economic challenges that CPEC is having to encounter (Ahmad & Tiadong, 2020).

The Pakistani government should adhere to the structural challenges surrounding the SEZs and CPEC. This includes ensuring that the planned SEZ area is economically competitive and that all relevant stakeholders support the project. It's crucial to take note of what China has learned about implementing policies successfully. In this regard, putting the Special Economic Zone Act of 2012 into effect is advised. The primary objective of the Act is to enable Special Economic Zones (SEZs) to incentivize both local and foreign investors to promote and construct industrial infrastructures with an emphasis on export promotion, technology transfer, import substitution, and /job creation (Ministry of Finance, 2021).

Establishing cutting-edge technology and vocational schools that include lessons from China's vocational education system is essential, especially in light of China's prowess in innovation and knowledge dissemination (Mahmood, 2018). (Mahmood, 2018).

It is imperative that the authorities in China and Pakistan optimize the Special Economic Zones and integrate them into the global supply and value chains. This can be achieved by boosting supplier competitiveness, introducing policies that support business, updating trade facilitation systems and infrastructure, cutting down on bureaucratic red tape (i.e., hiring specialized customs officials and staff), and getting rid of financial corruption. In order to connect SEZs with both domestic and international supply chains, the Pakistani government must also provide infrastructure, including the provision of transportation, energy, water, telecommunications, and waste disposal.

In order to guarantee duty-free status for products coming from Pakistan's Special Economic Zones, Pakistan must also engage in negotiations with China through the process of signing special trade agreements.

Other ways that the Pakistani government can engage in successful SEZ implementation include complete and secure property rights protection, which will be a positive step towards attracting Chinese firms (Mahmood, 2018).

It is hoped that, in order to improve the domestic business environment, reforms will be introduced to attract further foreign investments. The Pakistani diaspora has an additional chance to contribute their expertise, experience, and accrued capital in order to guarantee better investment opportunities in Pakistan. This will further a conducive environment for businesses competing with or complementing the SEZs will benefit from new business practices and technologies that the SEZs will hopefully introduce.

Furthermore, multinational corporations are searching for the most affordable sites for their production and trade, as they are primarily arranging their activities in increasingly intricate global value and supply chains. Special Economic Zones can offer a platform to capitalize on them.

SEZs provide an ideal chance for strengthening technical collaboration between Pakistani and Chinese companies. There are also benefits of labor pooling and

incorporating innovative ideas. Last but not least, these Pakistani SEZs have the potential to establish linkages with the Chinese SEZs and commercial hubs (Mahmood, 2018).

The Chinese and Pakistani governments should work together to develop policies that provide small-to medium-sized businesses enough investments to stabilize them domestically. This is especially crucial if SEZs re to be a successful industrial growth plan (Hussain & Rao, 2020).

There is also a need for the Chinese and Pakistani governments to collaborate on forming a policy for allocating ample funds to SMEs and medium-sized enterprises that lack financial stability (Abbas, 2019).

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